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December 29, 2003

**PAID T.R.A.**

Chk # 15475

Amount 100.00

Rcvd By JA

Date: 12-30-03  
Monica Borne Haab

EllenAnn G. Sands

Bruce C. Betzer

Philip R. Adams, Jr.

**VIA FEDERAL EXPRESS**

Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Pkwy.  
Nashville, TN 37243

03-00650

Re: Application for Consent to the Transfer of Control of LecStar Telecom, Inc.

Dear Sir or Madam:

On behalf of LecStar Telecom, Inc., enclosed please find an original and thirteen (13) copies of the referenced Application. Also enclosed is a check in the amount of \$100 to cover the filing fee in this matter.

Please date stamp and return the enclosed extra copy of this letter in the envelope provided.

Please call me should you have any questions concerning this filing. Thank you for your assistance with this matter.

Sincerely,



EllenAnn G. Sands

Enclosures

cc: N. Todd Leishman  
Dale Smith

Application for Consent to the )  
Transfer of Control of )  
LecStar Telecom, Inc. )

Pursuant to the applicable Statutes of this State and the Commission's Rules and Regulations currently in effect and/or subsequently enacted, LTEL Holdings Corporation ("LTEL") and LecStar Telecom, Inc. ("LecStar"), by their attorneys, hereby respectfully request any necessary authority from this Commission for the transfer of control of LTEL and its wholly owned subsidiary, LecStar, to LTEL Acquisition Corporation, a Delaware corporation ("LTEL Acquisition"), a wholly owned subsidiary of Fonix Corporation ("Fonix"). Grant of the requested authority will permit consummation of a transaction whereby LTEL Acquisition will acquire all of the outstanding capital stock of LTEL, including 100% of the issued and outstanding capital stock of LecStar. This filing is not an application for transfer of operating authority and does not involve any transfer of customers. Instead, the Application seeks consent to the change in ultimate control of LecStar by virtue of a stock purchase transaction involving its corporate parent. LecStar will continue to provide competitive interexchange and local telecommunications services to its existing customers, under its current authorization or certification, following consummation of the proposed transaction without interruption.

In support of this Application LTEL, LecStar, Fonix and LTEL Acquisition provide the following information:

**I. THE APPLICANTS**

**A. LecStar Telecom, Inc. and LTEL Holdings Corporation**

LecStar is a wholly-owned subsidiary of LTEL. LecStar is a privately held Georgia corporation headquartered at 4501 Circle 75 Parkway, Suite 4210, Building D, Atlanta, Georgia 30339. LecStar is qualified to transact business in this state as a foreign corporation. LecStar is a provider of interexchange and local telecommunications services. LecStar is authorized to provide local and interexchange telecommunication services in nine states. LecStar received its authority to provide local and long distance telecommunications services in this state in Docket No. 99-00818, dated February 15, 2000. LTEL is a Delaware corporation and is a holding company which holds no certificates of authority.<sup>1</sup>

**B. Fonix Corporation and LTEL Acquisition**

Fonix and LTEL Acquisition are Delaware corporations with principal offices located at 180 W. Election Road, Draper, Utah 84020. LTEL Acquisition is a wholly owned subsidiary of Fonix that was formed specifically to acquire the capital stock of LTEL, and has no other operations. LTEL Acquisition holds no certificates of authority.

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<sup>1</sup> LecStar DataNet, Inc. is also a wholly owned subsidiary of LTEL. LecStar DataNet, Inc. holds no certifications or licenses to provide telecommunications services in this state and is not under the jurisdiction of this Commission. LecStar has one wholly owned subsidiary, Georgia Telecom Ventures, LLC, a Delaware limited liability company that is not under the jurisdiction of this Commission.

## **II. DESIGNATED CONTACTS**

The designated contact for questions concerning this Application is:

EllenAnn G. Sands  
Nowalsky, Bronston & Gothard  
3500 N. Causeway Blvd., Suite 1442  
Metairie, LA 70002  
(504) 832-1984 (phone)  
(504) 831-0892 (fax)  
[esands@nbglaw.com](mailto:esands@nbglaw.com)

with copies to:

Dale Smith  
For LecStar  
4501 Circle 75 Parkway, Suite 4210, Building D  
Atlanta, Georgia 30339  
Fax: (404) 659-4900

N. Todd Leishman  
For Fonix Corporation and LTEL Acquisition  
Durham Jones & Pinegar  
111 East Broadway, Suite 900  
Salt Lake City, Utah 84111  
Fax: (801) 415-3500

## **III. DESCRIPTION OF THE TRANSACTION**

Grant of the requested authority will permit consummation of a transaction whereby LTEL Acquisition will acquire 100% of the capital stock of LTEL. By virtue of that acquisition, LTEL Acquisition would acquire control and indirect ownership of all of the assets of LTEL, including the capital stock of LTEL's wholly owned subsidiary, LecStar. The proposed transfer will be seamless to LecStar's customers. LecStar's name, rates and service offerings, as reflected in its tariff, will not change as a result of the proposed transaction. There will be no interruption of service. The physical assets, property, and personnel of LecStar, in all material respects, will remain the same after

the change in ownership of its corporate parent. The customer service numbers for billing and service problems, liaison with Commission staff and tariffed rates will remain the same.

The proposed transaction will not result in any change in the direct ownership and control of LecStar. LecStar will still be wholly owned by LTEL which in turn will be wholly owned by LTEL Acquisition, although Fonix may elect after the conclusion of the transaction to accomplish a short form merger of LTEL with and into LTEL Acquisition, which transaction would have no impact on the operations of LecStar. Simplified charts showing the current corporate structure and the new corporate structure are attached hereto as **Exhibits A and B**, respectively.

#### **IV. PUBLIC INTEREST ANALYSIS**

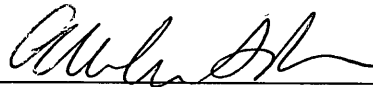
Grant of the instant application will serve the public interest, convenience, and necessity. Consummation of the proposed transaction will result in net benefits to LecStar's customers by strengthening the financial status of LTEL. The transaction will enhance LecStar's ability to offer a broader range of innovative products and services to customers due to Fonix' plans to develop and offer voice or speech enable features to LecStar's current and prospective customers. The Commission's ability and authority to regulate LecStar and to ensure that it satisfies all obligations, commitments and regulatory requirements established by the laws of this state and the Commission will remain unchanged. Thus, there are no potential public interest harms raised by the proposed transaction and there will be clear benefits to the public upon approval and closing of this transaction.

**V. CONCLUSION**

WHEREFORE, LTEL, LecStar, Fonix and LTEL Acquisition respectfully request that the Commission grant any necessary authority for an indirect transfer of control of LecStar Telecom, Inc.

DATED this 29<sup>th</sup> day of December, 2003.

Respectfully submitted,

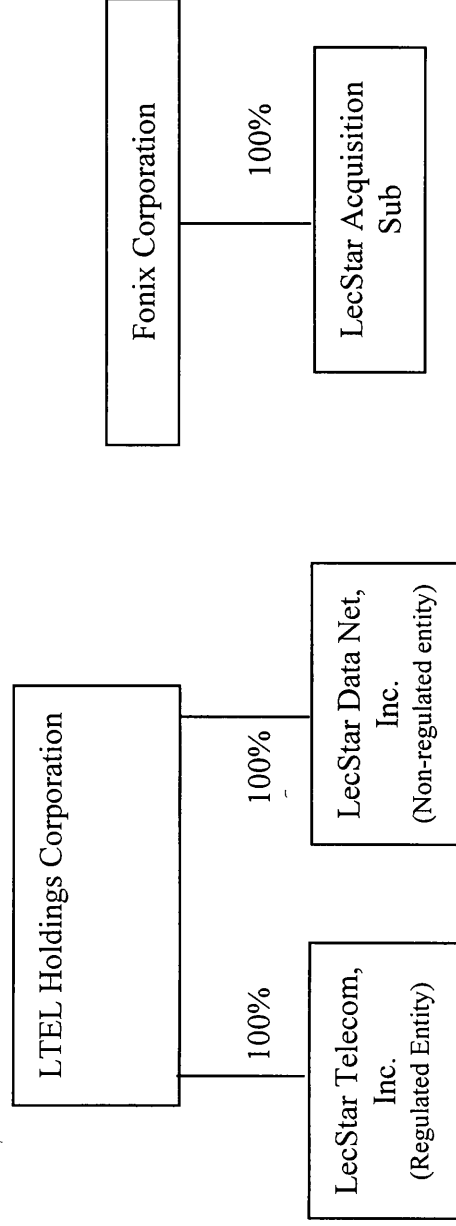


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esands@nbglaw.com  
Counsel for LTEL Holdings Corporation,  
LecStar Telecom, Inc., Fonix Corporation and  
LTEL Acquisition

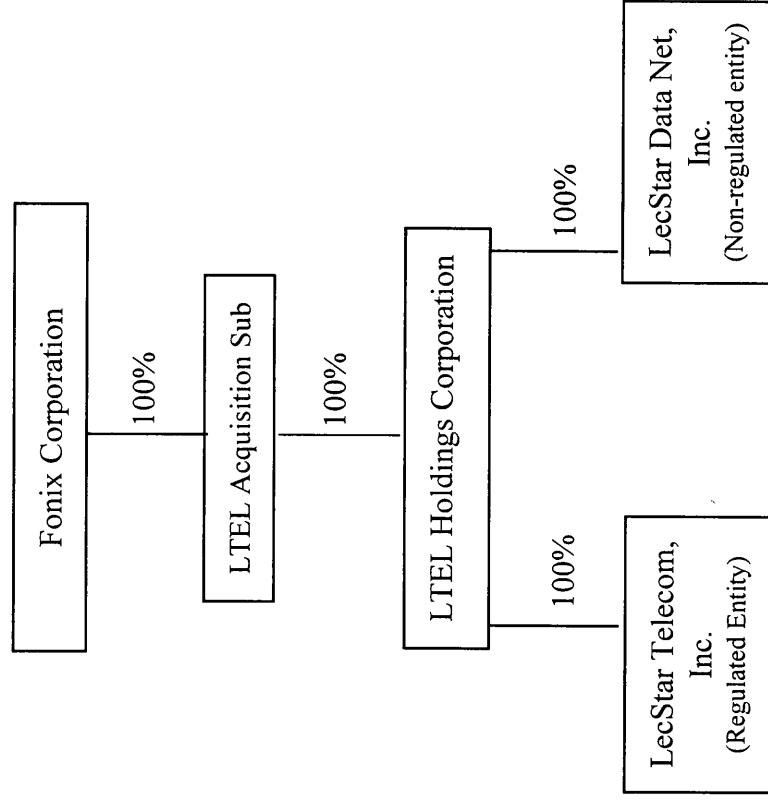
*Exhibit A*

**Pre Transfer of Control Flow Chart  
For  
LTEL Holdings Corporation, LecStar Telecom, Inc. and  
Fonix Corporation and Fonix Sub**



**Exhibit B**

**Post Transfer of Control Flow Chart  
For  
LTEL Holdings Corporation, LecStar Telecom, Inc. and  
Fonix Corporation and Fonix Sub**

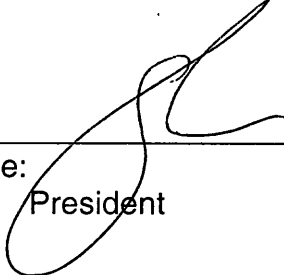




STATE OF  
COUNTY OF

**VERIFICATION**

I, Steve Hicks, am the President of LTEL Holdings Corporation, and am authorized to make this Verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By:   
Name: \_\_\_\_\_  
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 9th day of December, 2003.

  
\_\_\_\_\_  
Notary Public


My commission expires:

CAROL ANN DIXON  
Notary Public, Fulton County, Georgia  
My commission expires August 11, 2006

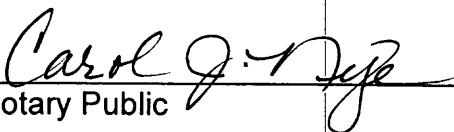
STATE OF  
COUNTY OF

VERIFICATION

I, Thomas A. Murdock, am the President of Fonix Corporation, and am authorized to make this Verification on its behalf. The statements made in the foregoing Application are true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters I believe them to be true.

By:   
Name: Thomas A. Murdock  
Title: President

Sworn to and subscribed before me, Notary Public, in and for the State and County named above, this 18<sup>th</sup> day of December, 2003.

  
Notary Public

My commission expires:

